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TACOMA PUBLIC UTILITIES

April 14, 2011

Chuck Murray
Energy Policy Division
Department of Commerce
1011 Plum St SE
PO Box 42525
Olympia, WA 98504-2525

Re: Lilliwaup Falls Hydroelectric Project

Dear Mr. ~~Murray~~ *CHUCK*

Tacoma Power continues to actively seek new sources of reliable and cost-effective resources that qualify as renewable under the state's renewable resource mandate (RCW 19.285). One potential resource that recently came to our attention is the Lilliwaup Falls Hydroelectric Project (Lilliwaup). We seek a preliminary opinion from the Department of Commerce as to whether this project is an eligible incremental hydro resource under the criteria laid out in the Energy Independence Act (Act).

Background

Lilliwaup is a 1.5 MW hydro run-of-river electric facility located in Mason County (near Hood Canal). The project is interconnected with Mason County PUD No. 1. The facility was first constructed in the 1940's and then extensively rebuilt in the mid 1980's. The rebuild included new penstocks, a new tailrace, new turbine/generators, and new electrical components. After the rebuild, the annual electrical projection at Lilliwaup was about 8000 MWh. In 2001 a landslide demolished Lilliwaup's flumeway and the project ceased to produce power.

The owners of Lilliwaup, the Lilliwaup Generating Company, had made a decision to not repair the power plant. However, a planned refurbishment/upgrade to an adjacent fish hatchery,¹ has created an opportunity to reconsider that decision. The upgraded fish hatchery will need additional water and electricity that could be supplied by an operating power plant. As a result, Tacoma Power is evaluating the costs and benefits of rebuilding Lilliwaup's flumeway and restarting the plant.

Energy Independence Act Implications

From Tacoma Power's perspective, the question of renewable resource eligibility hinges on whether restarting this project would constitute a "new water diversion." The Act defines eligible renewable resources to mean:

¹ The Long Live the Kings Lilliwaup Hatchery.

Incremental electricity produced as a result of efficiency improvements completed after March 31, 1999 to hydroelectric generation projects owned by a qualifying utility and located in the Pacific Northwest ... where the additional generation in either case does not result in new water diversions or impoundments. RCW 19.285.030(10)(b)

Tacoma Power would acquire the project and obviously complete the necessary improvements after March 31, 1999. Lilliwaup is located within the statute's specified geographic boundary for the Pacific Northwest. The existing impoundment would not change. This leaves only the question of the water diversion.

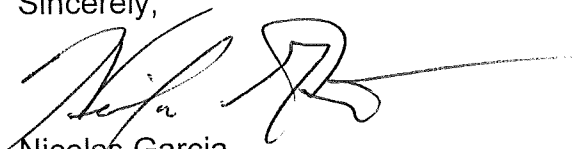
Tacoma Power asserts that this is not a new diversion. The powerhouse has been in place and produced power for many decades. Moreover, the project complies with Federal Energy Regulatory Commission regulations. Tacoma Power believes that the landslide caused interruption in power production does not alter the well established history of water diverted through this facility.

Finally, Tacoma Power sites the declared policy of the Act.

Increasing energy conservation and the use of appropriately sited renewable energy facilities builds on the strong foundation of low-cost renewable hydroelectric generation in Washington State and will promote energy independence in the state and the Pacific Northwest region... RCW 19.285.020

Having complied with FERC regulations, Lilliwaup is clearly an appropriately sited renewable energy facility. A Department of Commerce opinion that this project meets the definition of incremental hydro power would allow Tacoma Power to pursue this emission-free resource and help propel the state and the region towards energy independence.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nicolas Garcia', followed by a long horizontal line extending to the right.

Nicolas Garcia
Senior Power Analyst